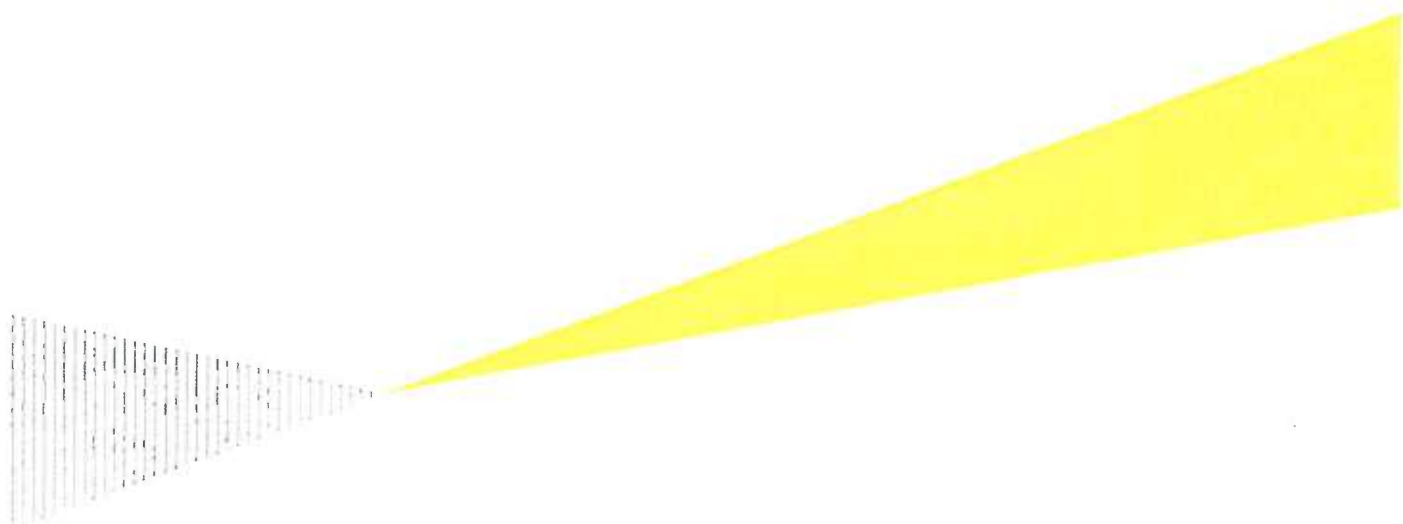


# LOGSTOR Denmark Holding ApS

Danmarksvej 11, 9670 Løgstør

CVR no. 35 37 56 27



## Annual report 2016

Approved at the annual general meeting of shareholders on 28.04.17

Chairman:

  
Line Dissing Menstes



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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of LOGSTOR Denmark Holding ApS for the financial year 1 January - 31 December 2016.

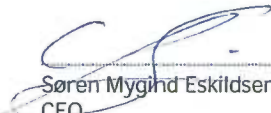
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Løgstør, 28 April 2017  
Executive Board:

 Søren Mygind Eskildsen CEO	 Henning Bejer Beck CFO
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Board of Directors:

 Anders Gösta Thellin Chairman	 Anders Jonsson	 Per Johan Agebäck
 Kim Christensen	 Gustaf Backemar	



## Independent auditor's report

To the shareholders of LOGSTOR Denmark Holding ApS

### Opinion

We have audited the financial statements of LOGSTOR Denmark Holding ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 28 April 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Steen Skorstengaard  
State Authorised Public Accountant



Hans Peter Roug  
State Authorized Public Accountant



## Management's review

### Company details

Name LOGSTOR Denmark Holding ApS  
Address, Postal code, City Danmarksvej 11, 9670 Løgstør

CVR no. 35 37 56 27  
Established 12 June 2013  
Registered office Vesthimmerlands Kommune  
Financial year 1 January - 31 December

Board of Directors Anders Gösta Thelin, Chairman  
Anders Jonsson  
Per Johan Agebäck  
Kim Christensen  
Gustaf Backemar

Executive Board Søren Mygind Eskildsen, CEO  
Henning Bejer Beck, CFO

Auditors Ernst & Young Godkendt Revisionspartnerselskab  
Værkmestergade 25, P.O. Box 330, 8100 Aarhus C,  
Denmark



## Management's review

### Management commentary

#### Business review

The Group's primary activity is to develop, manufacture and sell high-quality pre-insulated pipe systems for transportation of liquids and gases. LOGSTOR is the world's leading supplier of pre-insulated pipe systems, not only for district heating, but also for district cooling, the chemical industry, the oil and gas sector and the marine industry.

LOGSTOR is an international enterprise with sales and production companies in Denmark, Sweden, Finland, Poland and Romania as well as sales to more than 50 markets through resellers and own sales companies in Germany, the Netherlands, Switzerland, Austria, France, Lithuania and Italy.

#### Financial review

The 2016-result after tax ended up with a loss of DKK 32 million compared to a profit of DKK 97 million the year before. The result for the year is affected by impairment of investment in group enterprises with DKK 22.7 million.

#### Events after the balance sheet date

LOGSTOR's Board of Directors has appointed Søren Mygind Eskildsen as new President and Chief Executive Officer of LOGSTOR effective as of 16 January 2017. Søren Mygind Eskildsen succeeds Yves Paletta who will remain investor in LOGSTOR and also advisor to the Board and Management.

The planned acquisition of Powerpipe Systems, a Swedish-based leading provider of pre-insulated pipe systems, has been closed on 1 February 2017. LOGSTOR Sverige Holding AB purchased the business.

Besides the events mentioned above, no events materially affecting the Company's financial position have occurred subsequent to the financial year-end.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Gross margin	15,026	20,692
2	Staff costs	-18,230	-18,629
	Profit/loss before net financials	-3,204	2,063
	Income/loss from investments in group enterprises	-22,700	100,000
3	Financial income	1,923	2,235
4	Financial expenses	-10,253	-8,655
	Profit/loss before tax	-34,234	95,643
5	Tax for the year	2,543	929
	Profit/loss for the year	-31,691	96,572
	Recommended appropriation of profit/loss		
	Extraordinary dividend distributed in the year	0	100,000
	Retained earnings/accumulated loss	-31,691	-3,428
		-31,691	96,572





Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
6	Investments		
	Investments in group enterprises	192,780	215,480
		<u>192,780</u>	<u>215,480</u>
	Total fixed assets	<u>192,780</u>	<u>215,480</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	85,595	94,753
	Deferred tax assets	4,036	1,782
	Corporation tax receivable	134	1,217
	Other receivables	937	1,406
		<u>90,702</u>	<u>99,158</u>
	Cash	0	2
	Total non-fixed assets	<u>90,702</u>	<u>99,160</u>
	TOTAL ASSETS	<u>283,482</u>	<u>314,640</u>



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
7	Share capital	81	81
	Retained earnings	43,276	74,967
	<b>Total equity</b>	<b>43,357</b>	<b>75,048</b>
	Liabilities		
8	Non-current liabilities other than provisions		
	Bank debt	210,772	208,271
		<b>210,772</b>	<b>208,271</b>
	Current liabilities		
	Bank debt	24,815	25,014
	Other payables	4,538	6,307
		<b>29,353</b>	<b>31,321</b>
	<b>Total liabilities other than provisions</b>	<b>240,125</b>	<b>239,592</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>283,482</b>	<b>314,640</b>

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	81	74,967	75,048
Transfer, see "Appropriation of loss"	0	-31,691	-31,691
Equity at 31 December 2016	<u>81</u>	<u>43,276</u>	<u>43,357</u>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of LOGSTOR Denmark Holding ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

Revenue consists of management fees to LOGSTOR Group's subsidiaries and is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is measured at fair value of the agreed consideration exclusive of VAT.

###### Gross margin

Gross margin comprises revenue and external expenses.

###### External expenses

External expenses comprise expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies etc.

###### Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees.

###### Income from investments in group entities

Income from investments in group enterprises comprises dividend, etc., received from the group enterprises in the financial year.

###### Financial income and expenses

Financial income comprises interest income, including interest income on receivables from group entities, net capital gains on financial statement items in foreign currencies as well as refunds under the on-account tax scheme, etc.

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on financial statement items in foreign currencies as well as surcharges under the on-account tax scheme, etc.

###### Tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Investments in subsidiaries

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

##### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

##### Cash

Cash comprises cash and bank deposits.

##### Deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

##### Income tax payable or receivable

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

##### Other payables

Other payables are measured at amortised cost, which usually corresponds to nominal value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
2 Staff costs		
Wages/salaries	17,193	17,592
Pensions	963	986
Other social security costs	74	51
	<u>18,230</u>	<u>18,629</u>
3 Financial income		
Interest receivable, group entities	1,923	1,830
Other financial income	0	405
	<u>1,923</u>	<u>2,235</u>
4 Financial expenses		
Interest expenses, group entities	0	32
Other financial expenses	10,253	8,623
	<u>10,253</u>	<u>8,655</u>
5 Tax for the year		
Estimated tax charge for the year	-144	-1,217
Deferred tax adjustments in the year	-2,399	288
	<u>-2,543</u>	<u>-929</u>

6 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2016	<u>215,480</u>
Cost at 31 December 2016	<u>215,480</u>
Value adjustments at 1 January 2016	0
Revaluations for the year	<u>-22,700</u>
Value adjustments at 31 December 2016	<u>-22,700</u>
Carrying amount at 31 December 2016	<u>192,780</u>

7 Share capital

The share capital consists of shares of DKK 1. The shares are not divided into classes.

The Company's share capital has remained DKK 81 thousand over the past 3 years.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 8 Long-term liabilities

Of the long-term liabilities, DKK 211 falls due 31 March 2018 and DKK 0 falls due for payment after more than 5 years after the balance sheet date.

#### 9 Contractual obligations and contingencies, etc.

##### Contingent liabilities

The Company has entered into a contingent consideration agreement. Further payments in connection to the acquisition, up to an amount of DKK 50 million plus interests from 2 September 2013, can be liable after a future sale of LOGSTOR Holding A/S.

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

LOGSTOR Group has through its subsidiary, LOGSTOR Deutschland GmbH been claimed EUR 2.6 million in a lawsuit from a customer for losses in a project where the customer was responsible for construction of a steam pipeline. Based on facts and circumstances in the case Management in LOGSTOR Group expects to win the case and no provisions have been made.

##### Other financial obligations

##### Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	2,163	3,641

#### 10 Collateral

As security for the Group's bank debt the shares in group enterprises have been pledged. Current value is DKK 192,780 thousand and DKK 215,480 thousand at 31 December 2015.

As security for the Group's bank debt the receivable from group enterprises have been pledged. Current value is DKK 73,621 thousand and DKK 75,386 thousand at 31 December 2015.

Guarantee for fulfilment of any obligation incurred by the Group towards banks, a maximum of DKK 726.1 million. Of this amount debt in the other companies which have signed this guarantee amounts to DKK 432,155 thousand at 31 December 2016 and DKK 342,611 thousand at 31 December 2015.

Guarantee provided to third party for subsidiaries guarantees is DKK 25,757 thousand at 31 December 2016 and DKK 36,545 thousand at 31 December 2015.

#### 11 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
LOGSTOR International Holding S.à r.l.	Luxembourg	The consolidated financial statements are available at <a href="http://www.cvr.dk">www.cvr.dk</a>